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Attorneys for Defendants and Counterclaimants
ZIPPMARK, INC. and ZIPPO
MANUFACTURING COMPANY

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

LOEC, INC.,

Plaintiff,

v.

ZIPPMARK, INC., a Delaware
corporation; and ZIPPO
MANUFACTURING COMPANY, a
Pennsylvania corporation,

Defendants.

And Related Counterclaims.

Case No. 2:14-CV-02596 RGK (FFMx)

**DEFENDANTS AND
COUNTERCLAIMANTS
ZIPPMARK, INC.'S AND ZIPPO
MANUFACTURING COMPANY'S
OPPOSITION TO PLAINTIFF
AND COUNTERDEFENDANTS
LOEC, INC. AND LORILLARD
TECHNOLOGIES, INC.'S
MOTION IN LIMINE NO. 1 TO
EXCLUDE EVIDENCE OR
ARGUMENT RELATING TO THE
SURVEY AND OPINIONS OF MR.
HAL PORET**

[Omnibus Elkins Declaration filed and
(Proposed) Order lodged concurrently
herewith]

**Date: April 21, 2015
Time: 9:00 a.m.
Place: Courtroom 850
The Honorable R. Gary Klausner**

1 **I. INTRODUCTION**

2 Hal Poret's survey will assist the trier of fact in this trademark infringement
3 case because it examines the likelihood of confusion between Zippo's¹ BLU
4 trademark and Lorillard's² "BLU" branding its electronic cigarettes ("ecigs"). Mr.
5 Poret's survey results demonstrate "a statistically meaningful" measurement of net
6 confusion when the results of the test group are compared to a control group.
7 Omnibus Declaration of David Elkins in Support of Zippo's Oppositions to
8 Motions In Limine ("Elkins Decl."), Ex. 1 at 191:7-192:8. No doubt concerned by
9 these results, Lorillard hired Dr. Stephen Nowlis to review and critique Mr. Poret's
10 expert report. But Dr. Nowlis did not conduct his own survey in an effort to
11 disprove and discredit Mr. Poret's results. *Id.*, Ex. 4 at 31:13-15. Dr. Nowlis failed
12 to take this step even though he has—in another case—"essentially replicated Mr.
13 Poret's study, with the exception that it rectified . . . alleged errors" precisely for
14 that purpose. *Meyer Manufacturing Co. v. Telebrands Corp.*, No. 2:11-cv-03153-
15 TLN-DAD, 2013 U.S. Dist. LEXIS 87200, at *8 (E.D. Cal. Jun. 20, 2013).

16 Without affirmative proof of its own to present the jury to consider, Lorillard
17 now seeks to deprive the jury from considering any survey evidence at all.
18 Tellingly, Lorillard does not challenge Mr. Poret's ample qualifications as a
19 professional survey expert. Instead, Lorillard seeks to bar the jury from having the
20 opportunity to consider Mr. Poret's survey—and Dr. Nowlis's critique—by
21 branding it "unreliable." But their specific criticisms only go to the weight the jury
22 should accord Mr. Poret's survey. The Court should accordingly deny this motion.

23
24
25 _____
26 ¹ This opposition refers collectively to Defendants and Counterclaimants Zippo
Manufacturing Company ("ZMC") and ZippMark, Inc. ("ZippMark") as "Zippo."

27 ² This opposition refers collectively to Plaintiffs and Counterclaim-Defendants
28 LOEC, Inc. ("LOEC") and Lorillard Technologies, Inc. ("LTI") as "Lorillard."

II. ARGUMENT

A. RELEVANT LEGAL STANDARDS

Rule 702 of the Federal Rules of Evidence governs the admissibility of expert testimony. In the seminal case, *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579 (1993), the Supreme Court held that Rule 702 requires district courts to serve as “gatekeepers” to ensure “any and all scientific testimony or evidence admitted is not only relevant, but reliable.” *Id.* at 589. This “gatekeeping” obligation applies to all expert testimony. *Kumho Tire Co. v. Carmichael*, 526 U.S. 137 (1999). To be relevant, proffered expert testimony must “assist the trier of fact to understand the evidence or to determine a fact in issue.” *Daubert*, 509 U.S. at 591. To be reliable, the “[p]roposed testimony must be supported by appropriate validation, *i.e.*, ‘good grounds,’ based on what is known.” *Id.* at 590. Various factors may illuminate whether an expert opinion is reliable. *Id.* at 593-94.

Despite the complexity characterizing the subjects about which many experts testify, the Ninth Circuit has instructed district courts to follow some simple rules in executing their gatekeeper obligations. “Basically, the judge is supposed to screen the jury from unreliable nonsense opinions, but not exclude opinions merely because they are impeachable. The district court is not tasked with deciding whether the expert is right or wrong, just whether his testimony has substance such that it would be helpful to a jury.” *Alaska Rent-A-Car, Inc. v. Avis Budget Group, Inc.*, 709 F.3d 872, 883 (9th Cir. 2013). In short, “the judge is ‘a gatekeeper, not a fact finder.’” *Id.* (quoting *Primiano v. Cook*, 598 F.3d 558, 565 (9th Cir. 2010)).

In the specific context of survey experts in trademark infringement lawsuits, “[t]he usual rule is that ***a professionally conducted survey that relates to the facts in issue will be admitted into evidence***, with any deficiencies or shortcomings serving to reduce the weight the survey is given.” McCarthy, *McCarthy on Trademarks and Unfair Competition* § 32:158 (4th ed. 2014) (“McCarthy”) (emphasis added). The Ninth Circuit embraces this rule: “Once the survey is

1 admitted, . . . follow-on issues of methodology, survey design, reliability, the
 2 experience and reputation of the expert, critique of conclusions, and the like *go to*
 3 *the weight of the survey rather than its admissibility.*” *Clicks Billiards, Inc. v.*
 4 *Sixshooters Inc.*, 251 F.3d 1252, 1263 (9th Cir. 2001) (emphasis added).

5 **B. THE RATE OF CONFUSION DEMONSTRATED BY THE PORET SURVEY IS**
 6 **MORE THAN SUFFICIENT TO PERMIT A JURY TO CONSIDER IT AS**
 7 **EVIDENCE OF MEANINGFUL CONSUMER CONFUSION**

8 Lorillard makes much of the fact that Mr. Poret’s level of confusion among
 9 his survey participants is 10% and cites some cases in which such a rate of
 10 confusion has factored against finding a likelihood of confusion. Motion at 8.
 11 Although Lorillard is free to argue to the jury that Mr. Poret’s survey results are
 12 unpersuasive evidence of actual confusion, no legal rule fixes a threshold below
 13 which survey results must be excluded. This is why numerous published cases
 14 deem significant survey findings of confusion around—and even below—10
 15 percent. *See e.g., Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck*
 16 *Consumer Pharms. Co.*, 290 F.3d 578, 594 & n.13 (3d Cir. 2002) (explaining that
 17 “a 7.5% figure could sustain a finding of substantial consumer confusion”) (citing
 18 *Coca-Cola Co. v. Tropicana Products, Inc.*, 690 F.2d 312, 317 (2d Cir. 1982));
 19 *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 400 (8th Cir. 1987) (holding a
 20 survey showing “approximately ten percent” entitled to “substantial weight unless
 21 seriously flawed”); *Goya Foods, Inc. v. Condal Distribs., Inc.*, 732 F. Supp. 453,
 22 457 n.7 (S.D.N.Y. 1990) (deeming 9-10% confusion rate sufficient to demonstrate
 23 “meaningful evidence of actual confusion”); *Jockey Intern’l, Inc. v. Burkard*, 185
 24 U.S.P.Q. (BNA) 201, 205 (S.D. Cal. 1975) (11.4% sufficient); *Grotrian, Helfferich,*
 25 *Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 365 F. Supp. 707, 716 (S.D.N.Y.
 26 1973) (calling 7.7% perception of business connection and 8.5% confusion about
 27 two company names “strong evidence”), *aff’d*, 523 F.2d 1331 (2d Cir. 1975).

28 Indeed, even in making its exclusion argument, Lorillard acknowledges that
 “when the percent of survey respondents reporting confusion dips below 10%, the

1 Ninth Circuit has found that “[t]his percentage *weighs against* a finding of
 2 confusion.” Motion at 9 (quoting *Diana Princess of Wales Mem’l Fund v. Franklin*
 3 *Mint Co.*, 1999 U.S. App. Lexis 34568, *7-8 (9th Cir. Dec. 30, 1999) (emphasis
 4 added). Whatever its precedential value,³ it does not remotely support the
 5 conclusion that survey evidence should be excluded simply because its results do
 6 not cross a specific threshold. Quite to the contrary, Lorillard’s arguments that the
 7 results of Mr. Poret’s survey are too small to support a finding of actual confusion
 8 “go to the weight of the survey rather than its admissibility.” *Clicks Billiards, Inc.*,
 9 251 F.3d at 1263.

10 It bears noting that Lorillard’s exclusion argument fails to account for Mr.
 11 Poret’s survey having used a control group to calculate a net confusion rate that
 12 eliminates “noise.” This is a critical omission, particularly because “[e]xplicit
 13 attention to the value of control groups in trademark and deceptive advertising
 14 litigation is a relatively recent phenomenon.” Diamond, Shari Seidman, “Reference
 15 Guide of Survey Research, *Reference Manual on Scientific Evidence*, (National
 16 Academic Press Third Ed. 2011).⁴ Thus, whatever might be said in the case law
 17 about surveys in which no controls were used to calculate net confusion, “[i]n the
 18 modern era, with the advent of the application of scientific survey designs in which
 19 a control cell is used to assess net confusion, it is difficult to predict how courts may
 20 view net likelihood of confusion survey results under 10 percent when a vigorous
 21 or robust control reveals a significantly lower level of confusion.” Ford, Gerald L,

22
 23
 24
 25 ³ Lorillard’s reliance on this case, despite its unpublished status and the Ninth
 Circuit rules limiting citation to such authorities, is dubious at best.

26
 27 ⁴ A copy of this chapter is attached as Exhibit 2 to the Omnibus Declaration of
 David Elkins in Support of Zippo’s Oppositions to Motions *In Limine*, and it was
 28 relied upon by Lorillard’s expert, Dr. Nowlis. Esmail Decl., Ex. B at 4 n. 2.

1 “Survey Percentages in Lanham Act Matters,” *Trademark and Deceptive*
2 *Advertising Surveys: Law, Science, and Design* (2012).⁵

3 As Mr. Poret explained, noise “in this instance . . . mean[s responding with
4 confusion] for any reason other than the use of the term ‘blu’ on both products.”
5 Elkins Decl., Ex. 1 at 129:18-21. By using a control, Mr. Poret was able to reduce
6 the “noise” to zero, i.e., ensure that the net confusion he measured was a result of
7 the use of “blu” on Lorillard’s products, as opposed to other reasons. This strength
8 in Mr. Poret’s survey design is critical in light of the fact that, as discussed above,
9 historically, such controls were not used and resulted in rates of confusion about
10 which the “noise” was uncertain and unknowable. Thus, the historic case law
11 expressing concerns about the weight that should be accorded to a 10% rate of
12 confusion in which no control group served to contextualize that finding are distinct
13 from the more rigorous and robust survey that Mr. Poret designed and implemented
14 in this case.

15 **C. MR. PORET’S SURVEY IS RELEVANT TO WHETHER THERE IS A**
16 **LIKELIHOOD OF CONFUSION**

17 Mr. Poret has opined that his survey results support the notion that potential
18 customers “will mistakenly believe that the Zippo product comes from or is
19 otherwise affiliated with or approved by the company that puts out Lorillard’s ‘Blu’
20 electronic cigarettes.” Esmail Decl., Ex. A at 16. This is entirely consistent with
21 the types of confusion the Lanham Act sets forth as actionable. 15 U.S.C. §
22 1125(b) (mandating liability for all those who use in commerce a logo that “is
23 likely to cause confusion, or to cause mistake, or to deceive as to the affiliation,
24 connection, or association of such person with another person, or as to the origin,
25

26 _____
27 ⁵ A copy of this chapter is attached as Exhibit 3 to the Omnibus Declaration of
28 David Elkins in Support of Zippo’s Oppositions to Motions *In Limine*, and it was
relied upon by Lorillard’s expert, Dr. Nowlis. Esmail Decl., Ex. B at 4 n. 2.

1 sponsorship, or approval of his or her goods, services, or commercial activities by
2 another person”).

3 Notwithstanding the Lanham Act’s clear statutory language, Lorillard
4 contends that the referenced opinion of Mr. Poret’s is irrelevant to the issue of
5 likelihood of confusion in a “reverse confusion” case. Claims for reverse
6 confusion, like Zippo’s, seek to protect the senior user from losing control over its
7 product’s identity in “the rising tide of publicity associated with the junior mark.”
8 *Dreamwerks Prod. Group Inc. v. SKG Studio*, 142 F.3d 1127, 1129 (9th Cir. 1998).
9 Thus, the inquiry in such cases is simply “whether consumers doing business with
10 the senior user might mistakenly believe that they are dealing with the junior user.”
11 *Id.* at 1130. In that case, specifically, the question was “whether a reasonable
12 consumer attending a Dreamwerks-sponsored convention might do so believing
13 that it is a convention sponsored by DreamWorks.” *Id.*

14 In short, “[t]here is no legal distinction under the [Lanham] Act between
15 ‘reverse confusion’ and other types of confusion.” 5-5 *Gilson on Trademarks* §
16 5.14 (2014). As the First Circuit has explained, “[r]everse confusion’ is not a
17 separate legal claim requiring separate pleading. Rather, it is a descriptive term
18 referring to certain circumstances that can give rise to a likelihood of confusion in a
19 trademark infringement suit.” *Dorpan, S.L. v. Hotel Meliá, Inc.*, 728 F.3d 55, 65
20 n.12 (1st Cir. 2013); *see also, e.g., Mattel Inc. v. Walking Mt. Prods.*, 353 F.3d 792,
21 806-807 (9th Cir. 2003) (“Generally, to assess whether a defendant has infringed on
22 a plaintiff’s trademark, we apply a ‘likelihood of confusion’ test that asks whether
23 use of the plaintiff’s trade-mark by the defendant is ‘likely to cause confusion or to
24 cause mistake, or to deceive as to the affiliation, connection, or association’ of the
25 two products.”).

26 Lorillard ignores these governing authorities to advance its argument based
27 upon a solitary district court opinion that rejected a unique and particularly vague,
28 “*somehow* associated with” test proposed by the plaintiff. Motion at 12 (citing

1 *Walter v. Mattel, Inc.*, 31 F. Supp. 2d 751, 757 (C.D. Cal. 1998) (emphasis added)).
 2 The court announced this result—acknowledging that “the Lanham Act does speak
 3 of confusion with respect to ‘affiliation, connection, or association’”—because
 4 Plaintiff’s “argument has no logical stopping point.” *Id.* at 757 & 760. The court
 5 elaborated by noting the plaintiff’s proposal was based upon an argument that “the
 6 conceptual nature of her goods and services are related to the conceptual nature of
 7 Mattel’s goods.” *Id.* at 759. Against this backdrop, the court explained that it
 8 “cannot conceive of any goods or services that are marketed or advertised through
 9 anything other than themes or concepts.” *Id.* at 760. It further noted:

10 Plaintiff’s proposed test for relatedness would seem to
 11 allow any commercial artist or illustrator to claim their
 12 services were somehow ‘related’ to any products upon
 13 which such commercial art or illustrations appear.
 14 Plaintiff’s argument distorts the test for relatedness
 15 beyond all reasonable bounds, and will not be adopted by
 16 this Court.

17 *Id.*

18 Mr. Poret has in this case followed the law as set forth in the Lanham Act,
 19 not advocated for some novel basis for confusion that lacks all reasonable bounds.
 20 Indeed, Mr. Poret’s survey, and his opinions based upon its results provide relevant
 21 evidence as to whether a consumer purchasing a Zippo BLU lighter may believe it
 22 is “dealing with” the same company making the blu ecig. *Dreamwerks Prod.*
 23 *Group Inc.*, 142 F.3d at 1130. The survey results show that a significant number of
 24 respondents thought that the Zippo BLU product was “from the same company that
 25 make, or is otherwise affiliated or approved by, Blu e-cigarettes.” Esmail Decl.,
 26 Ex. A at 16. This evidence is relevant and appropriate under the Lanham Act.

D. MR. PORET SURVEYED THE PROPER UNIVERSE

The parties agree that the proper universe to survey is the senior user's customer base, i.e., potential consumers of Zippo's BLU lighter. *See, e.g., Dreamwerks Prod. Group Inc.*, 142 F.3d at 1130. Lorillard contends that Mr. Poret failed to properly survey that universe for two equally incorrect reasons.

First, Lorillard contends that Mr. Poret erred in including "consumers who purported to pay at least \$20 for a lighter." Motion at 15. Lorillard claims that this is error because two documents indicate that Zippo wished to charge \$40 to \$50 for its lighter. *Id.* (citing Esmail Decl. Exs. C at ZIPPO0001369 and Ex. D at ZIPPO0019885.) But Mr. Poret explained that a more thorough investigation discloses that "Zippo BLU lighters sold between 20 and probably 70 or 80 dollars at various sources." Elkins Decl., Ex. 1 at 57:25-58:22. In short, Mr. Poret qualified for his survey consumers "who are currently in the market for a lighter[.]" which is the proper universe of consumers. *Id.* at 61:18-62:9. Moreover, Lorillard's theoretical criticism is unsupported by the empirical data gathered by the survey, which demonstrates that the rate of confusion is "actually slightly higher for people who spend \$40 or more." *Id.* at 185:4-24. "[H]ad the survey been only people who spend \$40 or more, the results would have been the same if not slightly higher." *Id.*

Second, Lorillard contends that Mr. Poret should have surveyed only men between the ages of 18 and 44 because that is "target" market. Motion at 15-16. This argument is a red herring. As Mr. Poret explained, "there is a big difference between what a company considers its target and what the actual relevant universe is . . . the target is not the proper definition of the relevant universe." Elkins Decl., Ex. 1 at 60:22-61:17. In other words, Mr. Poret considers a company's target market, but also "make[s] a distinction between what companies consider their target market and what is the proper definition of a relevant universe." *Id.* at 65:1-66:6 (noting that the company target audience "is very rarely a fair definition of the

1 universe” for a survey). Rather than rely on just a few internal documents
2 expressing Zippo’s aspirational “target” market, Mr. Poret identified the appropriate
3 universe of actual, potential consumers. *E.g., id.* at 66:23-67:4; *see also* Esmail
4 Decl., Ex. A at 17-21. These questions were designed to achieve Mr. Poret’s “goal
5 . . . to get people who are currently in the market for a lighter.” Elkins Decl., Ex. 1
6 at 61:19-62:9.

7 **E. LORILLARD’S OTHER CRITIQUES OF MR. PORET’S SURVEY AMOUNT**
8 **TO NOTHING MORE THAN A BATTLE OF EXPERTS FOR THE JURY TO**
9 **CONSIDER**

10 The remaining criticisms of Mr. Poret’s survey, while couched as dramatic
11 deviations from “acceptable principles,” do not go to admissibility as a legal matter;
12 they are nothing more than arguments for the jury to consider as it weighs the
13 evidence. For example, Lorillard accuses Mr. Poret of misrepresenting and
14 mischaracterizing survey responses. *See* Motion at 13-14. Ruling on this aspect of
15 the Motion would require the Court to make a factual finding, which is improper at
16 this point. *E.g., Alaska Rent-A-Car, Inc.*, 709 F.3d at 883 (“[T]he judge is a
17 gatekeeper, not a fact finder.”) (footnote and quotation marks omitted).

18 Likewise, relying on Lorillard’s own expert witness, Lorillard criticizes Mr.
19 Poret’s survey’s design for purportedly not replicating marketplace conditions,
20 choice of control group and his failure to rotate responses. Motion at 16-18. But
21 the law teaches that “issues of methodology, survey design, reliability, the
22 experience and reputation of the expert, critique of conclusions, and the like go to
23 the weight of the survey rather than its admissibility.” *Clicks Billiards, Inc.*, 251
24 F.3d at 1263. Moreover, as evidenced by Lorillard’s reliance, almost exclusively,
25 on its own expert report to justify these design criticisms presents a classic “battle
26 of the experts” that must be decided by the jury. *Humetrix, Inc. v. Gemplus S.C.A.*,
27 268 F.3d 910, 919 (9th Cir. 2001) (“Authority to determine the victor in such a
28 ‘battle of expert witnesses’ is properly reposed in the jury”).

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1 These criticisms are also not well founded. For example, while Lorillard
2 claims that Mr. Poret mischaracterized responses, a review of the highlighted
3 responses reveals that each respondent identified was confused into believing that
4 the Zippo BLU product was affiliated with an ecig maker. Motion at 13-14.
5 Likewise, at his deposition, Mr. Poret explained that he designed his survey to “let
6 consumers be exposed to the mark at issue in a way that is reasonably realistic to
7 how they would in the real world, but with the understanding that in the real world
8 there are a variety of ways that people encounter things.” Elkins Decl., Ex. 1 at
9 76:14-77:16. Moreover, Dr. Nowlis could only speculate about how such aspects
10 of Mr. Poret’s survey impacted the respondents’ answers, if at all. *Id.*, Ex. 4 at
11 49:18-51:16, 74:21-77:16. Put simply, the alleged failures of Mr. Poret’s survey
12 are issues for the jury to decide at trial.

13 **III. CONCLUSION**

14 For the foregoing reasons, Zippo respectfully requests that the Court deny
15 Lorillard’s Motion *in Limine* No. 1.

16 Dated: March 27, 2015

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